



# Financial Sector (Collection of Data) (reporting standard) determination No. 24 of 2019

## Reporting Standard ARS 118.1 Other Off-balance Sheet Exposures

### *Financial Sector (Collection of Data) Act 2001*

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I, Alison Bliss, delegate of APRA, under paragraph 13(1)(a) of the *Financial Sector (Collection of Data) Act 2001* (the Act) and subsection 33(3) of the *Acts Interpretation Act 1901*:

- (a) REVOKE Financial Sector (Collection of Data) (reporting standard) determination No. 2 of 2011, including *Reporting Standard ARS 118.1 Other Off-balance Sheet Business* made under that Determination; and
- (b) DETERMINE *Reporting Standard ARS 118.1 Other Off-balance Sheet Exposures*, in the form set out in the Schedule, which applies to the financial sector entities to the extent provided in paragraph 3 of the reporting standard.

Under section 15 of the Act, I DECLARE that the reporting standard shall begin to apply to those financial sector entities, and the revoked reporting standard shall cease to apply, on 1 July 2019.

This instrument commences on 1 July 2019.

Dated: 4 June 2019

[Signed]  
Alison Bliss  
General Manager  
Data Analytics & Insights Division

## **Interpretation**

In this Determination:

*APRA* means the Australian Prudential Regulation Authority.

*financial sector entity* has the meaning given by section 5 of the Act.

## **Schedule**

*Reporting Standard ARS 118.1 Other Off-balance Sheet Exposures* comprises the document commencing on the following page.



# Reporting Standard ARS 118.1

## Other Off-balance Sheet Exposures

### Objectives of this Reporting Standard

This Reporting Standard requires an authorised deposit-taking institution that has approval to use an internal ratings-based approach to credit risk under *Prudential Standard APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk* to submit information to APRA relating to specified off-balance sheet exposures.

It includes *Reporting Form ARF 118.1 Other Off-balance Sheet Exposures* and associated instructions and should be read in conjunction with *Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk* and *Prudential Standard APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk*.

### Authority

1. This Reporting Standard is made under section 13 of the *Financial Sector (Collection of Data) Act 2001*.

### Purpose

2. Information collected in *Reporting Form ARF 118.1 Other Off-balance Sheet Exposures* is used by APRA for the purpose of prudential supervision. It may also be used by the Reserve Bank of Australia (RBA) and the Australian Bureau of Statistics (ABS).

### Application

3. This Reporting Standard applies to an authorised deposit-taking institution (ADI) that has approval to use an internal ratings-based (IRB) approach to credit risk under *Prudential Standard APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk* (APS 113) (IRB ADI). This Reporting Standard may also apply to the non-operating holding company (NOHC) of an IRB ADI (refer to paragraph 6).

### Commencement

4. This Reporting Standard applies for reporting periods commencing on or after 1 July 2019.

### Information required.

5. An ADI to which this Reporting Standard applies must submit to APRA the information required by ARF 118.1 designated for an ADI at Level 1 for each reporting period.
6. If an IRB ADI is part of a Level 2 group, the ADI must also submit to APRA the information required by the version of ARF 118.1 designated for an ADI at Level 2 for each reporting period, unless the ADI is a subsidiary of an authorised NOHC. If the ADI is a subsidiary of an authorised NOHC, the ADI's immediate parent NOHC must submit to APRA the information required by that form for each reporting period. In doing so, the immediate parent NOHC must comply with this Reporting Standard (other than paragraph 5) as if it were the relevant ADI.

### Method of submission

7. The information required by this Reporting Standard must be submitted to APRA in electronic format using the 'Direct to APRA' application or by a method (i.e, a web-based solution) notified by APRA, in writing, prior to submission.

*Note:* The 'Direct to APRA' application software (also known as 'D2A') may be obtained from APRA.

### Reporting periods and due dates

8. Subject to paragraphs 9 and 10, an ADI to which this Reporting Standard applies must submit the information required by this Reporting Standard within 28 calendar days after the end of each quarter based on the ADI's financial year (within the meaning of the *Corporations Act 2001*).
9. APRA may, by notice in writing, vary the reporting periods or specified reporting periods for a particular ADI to require it to submit the information required by this Reporting Standard more frequently, or less frequently, having regard to:
  - (a) the particular circumstances of the ADI;
  - (b) the extent to which the information is required for the purposes of the prudential supervision of the ADI; and
  - (c) the requirements of the RBA or the ABS.
10. APRA may grant an ADI an extension of a due date, in writing, in which case the new due date for the provision of the information will be the date on the notice of extension.

### Quality control

11. All information submitted by an ADI under this Reporting Standard must be the product of processes and controls that have been reviewed and tested by the external auditor of the ADI. *Guidance Statement GS 012 Prudential Reporting Requirements for Auditors of Authorised Deposit-taking Institutions*, issued by the Auditing and Assurance Standards Board, provides guidance on the scope and nature of the review

and testing required from external auditors.<sup>1</sup> This review and testing must be done on an annual basis or more frequently if necessary to enable the external auditor to form an opinion on the accuracy and reliability of the information.

12. All information submitted by an ADI under this Reporting Standard must be subject to systems, processes and controls developed by the ADI for the internal review and authorisation of that information. These systems, processes and controls must assure the completeness and reliability of the information submitted.

### **Authorisation**

13. When an officer or agent of an ADI submits information under this Reporting Standard and uses the D2A application, or other method notified by APRA, it will be necessary for the officer or agent to digitally sign the relevant information using a digital certificate or other digital identity credential acceptable to APRA.

### **Minor alterations to forms and instructions**

14. APRA may make minor variations to:
  - (a) a form that is part of this Reporting Standard, and the instructions to such a form, to correct technical, programming or logical errors, inconsistencies or anomalies; or
  - (b) the instructions to a form, to clarify their application to the formwithout changing any substantive requirement in the form or instructions.
15. If APRA makes such a variation it will notify, in writing, each ADI that is required to report under this Reporting Standard.
16. APRA may determine, in writing, that an individual ADI of one class of ADI is to be treated, for the purposes of this Reporting Standard, as though it was an ADI of another class of ADI.

### **Interpretation**

17. In this Reporting Standard:

**ADI** means an authorised deposit-taking institution within the meaning of the Banking Act.

**APRA** means the Australian Prudential Regulation Authority established under the *Australian Prudential Regulation Authority Act 1998*.

**Authorised NOHC** has the meaning given in the Banking Act.

**Banking Act** means the *Banking Act 1959*.

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<sup>1</sup> Pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*.

**Credit conversion factor (CCF)** means the percentage value used to convert an off-balance sheet exposure into an on-balance sheet equivalent (i.e. the credit equivalent amount).

**Credit equivalent amount (CEA)** means the on-balance sheet equivalent of an off-balance sheet exposure.

**Immediate parent NOHC** means an authorised NOHC, or a subsidiary of an authorised NOHC, that is an immediate parent NOHC within the meaning of *Prudential Standard APS 001 Definitions* (APS 001).

**IRB ADI** means an ADI with approval from APRA to use an internal ratings-based (IRB) approach to credit risk.

**Level 1** has the meaning given in APS 001.

**Level 2** has the meaning given in APS 001.

**Notional principal amount** means the face value or gross amount of a given off-balance sheet transaction and not the fair value.

**Off-balance sheet exposures** are exposures that need to be converted to a CEA before they can be risk-weighted. Prior to the adoption of International Financial Reporting Standards (IFRS) for reporting periods beginning on or after 1 January 2005 some items, e.g. derivatives for accounting purposes, were treated as off-balance sheet. After the adoption of IFRS some of these items for accounting purposes were brought on-balance sheet. For the purposes of this APRA reporting form continue to report items that were off-balance sheet before the adoption of IFRS as off-balance sheet.

**Reporting period** means a period mentioned in paragraph 8 or, if applicable, as varied under paragraph 9.

**Subsidiary** has the meaning given in the *Corporations Act 2001*.

18. Unless the contrary intention appears, a reference to an Act, Prudential Standard, Reporting Standard, Australian Accounting Standard or Auditing Standard is a reference to the instruments as in force from time to time.

19. Where this Reporting Standard provides for APRA to exercise a power or discretion, this power or discretion is to be exercised in writing.

## ARF\_118\_1: Other Off-Balance Sheet Exposures

<b>Australian Business Number</b>	<b>Institution Name</b>
<b>Reporting Period</b>	<b>Scale Factor</b>
Quarterly	Millions to one decimal place
<b>Reporting Consolidation</b>	
Level 1 / Level 2	

### Section A: Non-market-related off-balance sheet transactions

	Notional principal amount <b>(1)</b>	Credit equivalent amount <b>(2)</b>
<b>1 Nature of transaction</b>		
1.1 Direct credit substitutes		
1.1.1 Guarantees		
1.1.2 Credit derivatives - sold protection in the banking book		
1.1.3 Standby letters of credit		
1.1.4 Bill endorsements		
1.1.5 Other		
1.2 Performance-related contingencies		
1.3 Trade-related contingencies		
1.4 Lending of securities or posting of securities as collateral		
1.5 Assets sold with recourse		
1.6 Forward asset purchases		
1.7 Partly paid shares and securities		
1.8 Placements of forward deposits		
1.9 Note issuance and underwriting facilities		
1.10 Credit derivatives used for acquiring credit risk exposure		
1.11 Other commitments		
1.11.1 Commitments with certain drawdown		
<i>of which:</i> Loans approved but not yet advanced		
1.11.1.1 Loans supported by eligible residential mortgages		
1.11.1.2 Other loans		
1.11.2 Commitments with an original maturity of one year or less		
1.11.2.1 of which: Balances available for redraw under redraw facilities of term loans		
1.11.3 Commitments with an original maturity of		

over one year		
1.11.3.1 of which: Balances available for redraw under redraw facilities of term loans		
1.11.4 Commitments that can be unconditionally cancelled at any time without notice		
1.11.5 Irrevocable standby commitments provided under APRA approved industry support arrangements		
1.11.6 Total		
1.12 All other non-market-related off-balance sheet transactions		
<b>1.13 Total non-market-related off-balance sheet business</b>		

**Section B: Memo items**

	<b>Total</b>
<b>2 On- and off-balance sheet exposures</b>	
2.1 On-balance sheet - gross amount	
2.2 On-balance sheet credit RWA	
2.3 Off-balance sheet - credit equivalent amount	
2.4 Off-balance sheet credit RWE	
2.5 Securitisation - gross amount	
2.6 Securitisation credit RWA	



# Reporting Form ARF 118.1

## Other Off-balance Sheet Exposures

### Instructions

These instructions are designed to assist in the completion of *Reporting Form ARF 118.1 Other Off-balance Sheet Exposures*. This form captures the off-balance sheet exposures for IRB ADIs. In completing this form, IRB ADIs should refer to APS 112 for further details of the definitions.

Terms highlighted in ***bold italics*** are defined in paragraph 17 of this Reporting Standard.

#### Reporting entity

This form must be completed at ***Level 1*** and ***Level 2*** by ***IRB ADIs*** only.

If an ***IRB ADI*** is a ***subsidiary*** of an ***authorised NOHC***, the report at ***Level 2*** must be submitted by the ***ADI's immediate parent NOHC***.

#### Securitisation deconsolidation principle

Except as otherwise specified in these instructions, the following applies:

1. Where an ***ADI*** (or a member of its ***Level 2*** consolidated group) participates in a securitisation that meets ***APRA's*** operational requirements for regulatory capital relief under ***Prudential Standard APS 120 Securitisation*** (APS 120):
  - (a) special purpose vehicles (SPVs) holding securitised assets may be treated as non-consolidated independent third parties for regulatory reporting purposes, irrespective of whether the SPVs (or their assets) are consolidated for accounting purposes; and
  - (b) the assets, liabilities, revenues and expenses of the relevant SPVs may be excluded from the ***ADI's*** reported amounts in ***APRA's*** regulatory reporting returns.
2. Where an ***ADI*** (or a member of its ***Level 2*** consolidated group) participates in a securitisation that does not meet ***APRA's*** operational requirements for regulatory capital relief under APS 120, or the ***ADI*** undertakes a funding-only securitisation or synthetic securitisation, such assets are to be reported as on-balance sheet in ***APRA's*** regulatory reporting returns.

#### Reporting basis and units of measurement

Report all items on ARF 118.1 in accordance with Australian Accounting Standards unless otherwise specified.

Items on ARF 118.1 must be completed as at the last day of the stated ***reporting period*** (i.e. the relevant quarter).

All items must be reported in Australian dollars (AUD) and in millions of dollars rounded to one decimal place.

An *immediate parent NOHC* must complete this form in AUD and in accordance with the same units as its *subsidiary ADI*.

Amounts denominated in foreign currency must be converted to AUD in accordance with *AASB 121 The Effects of Changes in Foreign Exchange Rates*.

*IRB ADIs* must report under ARF 118.1 exposures for which the *ADI* adopts an advanced approach for its capital calculation. All other exposures that are measured under the standardised approach must be reported in ARF 112.2A.

*IRB ADIs* will continue to have certain reporting obligations under the ARF 112.2A and ARF 113 series of reporting forms.

## Scope

*IRB ADIs* must report the non-market related off-balance sheet credit exposures of the *ADI* that are subject to the IRB approach to credit risk.

## Specific instructions

### Section A: Non-market-related off-balance sheet transactions

<b>Column 1</b>	Report the <i>notional principal amount</i> . Absolute values should be reported.
<b>Column 2</b>	<p>Report the <i>CEA</i>. <i>IRB ADIs</i> are required to manually input the total <i>CEA</i> for each <i>off-balance sheet exposure</i> type listed in section A of this form.</p> <p>In relation to a non-market-related off-balance sheet transaction, the <i>CEA</i> is calculated by multiplying the <i>notional principal amount</i> of a particular transaction by the relevant <i>CCF</i>, according to which internal ratings-based approach is used – either foundation or advanced.</p> <p>The <i>CEA</i> for some <i>off-balance sheet exposure</i> types may consist of several discrete exposures, each potentially attracting different <i>CCFs</i>. The <i>ADI</i> must determine the appropriate <i>CCF(s)</i> to be applied to the exposure(s) to calculate the <i>CEA</i> for that <i>off-balance sheet exposure</i> type and report the total as a single <i>CEA</i>.</p>

Refer to Attachment B of APS 112 and *Prudential Practice Guide APG 112 Standardised Approach to Credit Risk* (APG 112) for further details of the definitions of the following non-market related transactions.

<b>Item 1.1</b>	Include:
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	<ul style="list-style-type: none"> <li>(a) potential credit exposures arising from the issue of guarantees and credit derivatives;</li> <li>(b) confirmation of letters of credit;</li> <li>(c) issue of standby letters of credit serving as financial guarantees for loans, securities and any other financial liabilities;</li> <li>(d) bills endorsed under bill endorsement lines; and</li> <li>(e) any other direct credit substitutes.</li> </ul>
<b>Item 1.2</b>	<p>Include:</p> <ul style="list-style-type: none"> <li>(a) issue of performance bonds;</li> <li>(b) bid bonds;</li> <li>(c) warranties;</li> <li>(d) indemnities; and</li> <li>(e) standby letters of credit in relation to a non-monetary obligation of a counterparty under a particular transaction.</li> </ul>
<b>Item 1.3</b>	<p>Include:</p> <ul style="list-style-type: none"> <li>(a) documentary letters of credit issued;</li> <li>(b) acceptances on trade bills;</li> <li>(c) shipping guarantees issued; and</li> <li>(d) any other trade-related contingencies.</li> </ul>
<b>Item 1.4</b>	<p>Include:</p> <ul style="list-style-type: none"> <li>(a) repurchase/reverse repurchase agreements; and</li> <li>(b) securities lending/borrowing transactions.</li> </ul>
<b>Item 1.5</b>	<p>Include any asset sales (to the extent that such assets are not included on-balance sheet) by an <b>IRB ADI</b> where the holder of the asset is entitled to 'put' the asset back to the <b>ADI</b> within an agreed period or under certain prescribed circumstances, e.g. deterioration in the value or credit quality of the asset concerned.</p> <p>These transactions are risk-weighted according to the type of assets or the issuer of securities (as appropriate) and not according to the counterparty with whom the transaction is made, where the credit risk associated with the underlying asset which has been</p>

	sold (temporarily with recourse) or purchased, remains with the <i>ADI</i> .
<b>Item 1.6</b>	<p>Include:</p> <ul style="list-style-type: none"> <li>(a) commitments to purchase at a specified future date and on pre-arranged terms; and</li> <li>(b) a loan, security or other asset from another party, including written put options on specified assets with the character of a credit enhancement.</li> </ul> <p>Exclude written put options expressed in terms of market rates for currencies or financial instruments bearing no credit risk.</p>
<b>Item 1.7</b>	<p>Include:</p> <ul style="list-style-type: none"> <li>(a) any amounts owing on the uncalled portion of partly paid shares; and</li> <li>(b) securities held by an <i>ADI</i> that represent commitments with certain drawdown by the issuer at a future date.</li> </ul>
<b>Item 1.8</b>	Include any amounts relating to placements of forward deposits. Placements of forward deposits include any agreement between an <i>ADI</i> and another party whereby the <i>ADI</i> will place a deposit at an agreed rate of interest with that party at a predetermined future date.
<b>Item 1.9</b>	Include any note issuance and underwriting facilities. These involve arrangements whereby a borrower may drawdown funds up to a prescribed limit over a predefined period by making repeated note issues to the market and where, should the issue prove unable to be placed in the market, the unplaced amount is to be taken up or funds made available by an <i>ADI</i> being committed as an underwriter of the facility.
<b>Item 1.10</b>	Include any other credit derivatives used by the <i>ADI</i> for acquiring credit risk exposure that are not already included in <i>Reporting Form ARF 180.2 IRB – Counterparty Credit Risk and CVA Risk</i> .
<b>Item 1.11</b>	<p>The guidance in this section is applicable to the following items:</p> <ul style="list-style-type: none"> <li>(a) 1.11.1 Commitments with certain drawdown;</li> <li>(b) 1.11.2 Commitments with an original maturity of one year or less;</li> <li>(c) 1.11.3 Commitments with an original maturity of over one year;</li> <li>(d) 1.11.4 Commitments that can be unconditionally cancelled</li> </ul>

	<p>at any time without notice; and</p> <p>(e) 1.11.5 Irrevocable standby commitments provided under <i>APRA</i> approved industry support arrangements.</p> <p>Where the non-market-related off-balance sheet transaction is an undrawn or partially undrawn facility, the <i>IRB ADI</i> is to include the maximum unused portion of the commitment that could be drawn during the remaining period to maturity for the calculation of the <i>CEA</i>. Any drawn portion of a commitment forms part of an <i>ADI's</i> on-balance sheet credit exposure.</p> <p>With regard to irrevocable commitments to provide off-balance sheet facilities, the original maturity will be measured from the commencement of the commitment up until the time the associated facility expires. For example, an irrevocable commitment, with an original maturity of six months, to provide finance with a nine-month term, is deemed to have an original maturity of 15 months.</p> <p>Irrevocable commitments to provide off-balance sheet facilities are to be assigned the lower of the two applicable <i>CCFs</i>. For example, an irrevocable commitment with an original maturity of six months to provide a guarantee in support of a counterparty for a period of nine months attracts the 50% <i>CCF</i> applicable to the commitment, as opposed to the 100% <i>CCF</i> applicable to the guarantee.</p> <p>Undrawn balances of revolving facilities (e.g. credit cards, overdrafts) are to be reported in item 1.11.4.</p> <p>All commitments are to be included regardless of whether or not they contain 'material adverse change' clauses or any other provisions that are intended to relieve an <i>ADI</i> of its obligations under certain conditions.</p> <p>Item 1.11.6 is a derived item calculated as the sum of items 1.11.1, 1.11.2, 1.11.3, 1.11.4 and 1.11.5.</p>
<b>Item 1.12</b>	Item 1.12 is a derived item calculated as item 1.13 minus the sum of items 1.1.1, 1.1.2, 1.1.3, 1.1.4, 1.1.5, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7, 1.8, 1.9, 1.10 and 1.11.6.
<b>Item 1.13</b>	<p>In column 1, report the total <i>notional principal amount</i> for all of the different transaction types in section A of this form.</p> <p>In column 2, report the total <i>CEA</i> for all of the different transaction types in section A of this form.</p>

**Section B: Memo items**

<b>Item 2.1</b>	Report the carrying amount of on-balance sheet assets (i.e. the principal amounts of on-balance sheet assets after adjustment for any accrued interest, revaluations, depreciation and specific provisions as appropriate).
<b>Item 2.2</b>	Report the sum of all on-balance sheet credit risk weighted assets.
<b>Item 2.3</b>	Report the <i>CEA</i> of off-balance sheet business (including both market and non-market related transactions).
<b>Item 2.4</b>	Report the sum of all off-balance sheet credit risk weighted exposures (RWE).
<b>Item 2.5</b>	Report the amount of securitisation exposure determined for credit risk purposes in accordance with relevant prudential standards.
<b>Item 2.6</b>	The total amount of RWA related to the <i>ADI's</i> securitisation exposures.